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ARGENTINA: President Lanusse has taken a hard line with labor, rejecting its demands for higher wages and for a reinstitution of collective bargaining.

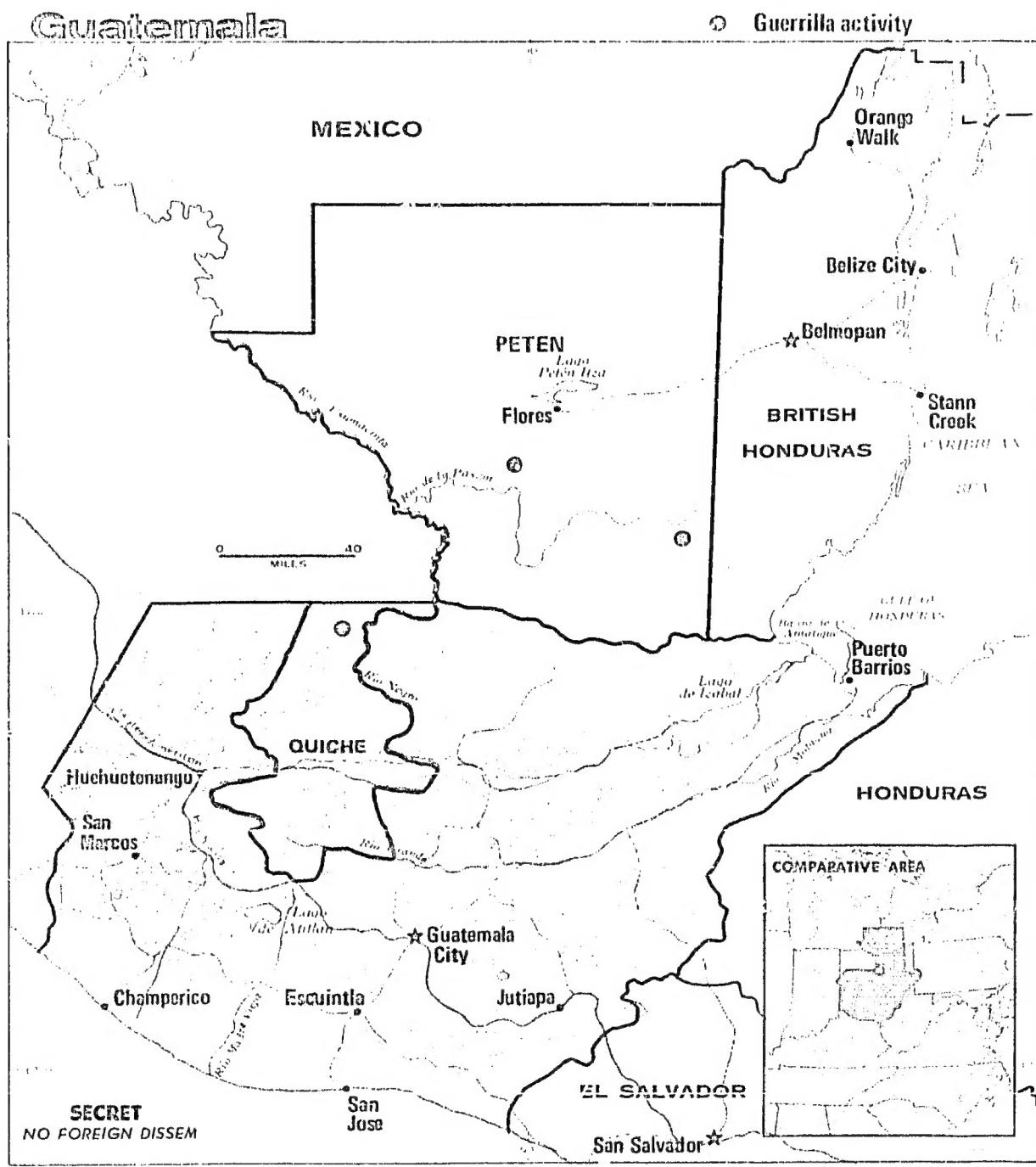
Labor leaders have told the US Embassy that they were shocked by Lanusse's decision to allow only a 15-percent wage increase on 1 January to be followed by a ten-percent increase in July. Lanusse reportedly told a labor delegation on 3 February that any retreat from this policy would be inflationary, but that wages would be reviewed if necessary. The inflation rate in January was 11.3 percent on a seasonally adjusted basis, considerably higher than the government had expected.

The central committee of the General Confederation of Labor is scheduled to meet on 10 February, and most observers expect it to react with a call for a nationwide strike or possibly a series of strikes. In his meeting with the confederation's leaders, President Lanusse warned that any such action would be met with the "total force dictated by circumstances."

Prior to his recent wage decision, Lanusse had been making a concerted effort to reach an accommodation with labor in order to smooth the path for national elections scheduled for March 1973. Some labor leaders now are speculating that top military leaders put pressure on Lanusse to do what was necessary to slow inflation and to take a tougher line with Peronist labor. Lanusse was probably also reluctant to undermine his recently formulated economic program, particularly when an Argentine economic team is in Washington seeking substantial new international financing. (CONFIDENTIAL)

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GUATEMALA: The Arana government has stepped up anti-insurgency activity in the interior.

The military has launched a major operation in the Peten, Guatemala's northernmost province, and is cooperating with the Mexican Army in flushing out the guerrillas operating along the border.

The two major insurgent groups--the Cuba-oriented Rebel Armed Forces and the action arm of the Communist Party--appear to be focusing their efforts in rural rather than urban areas, in part as a result of government pressure. These latest government initiatives are aimed at forestalling major guerilla operations and at preventing them from concentrating on recruitment.

The relative inactivity of the guerrillas in Guatemala City has led to a split in the Communist party. US observers in Guatemala believe this breakaway group may attempt some spectacular operation, perhaps against US personnel, in an effort to attract members and gain publicity. (SECRET NO FOREIGN DISSEM)

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VENEZUELA: Foreign Minister Calvani's effort to exclude the US from scheduled Latin American conferences on Law of the Sea is gaining support.

At Venezuelan insistence, the US was not invited to the current Bogota preparatory conference and may also be excluded from the Santo Domingo meeting in April. Despite earlier broad sentiment favoring US participation, Venezuela's threatened walkout turned the Bogota meeting against including the US. Some countries are dismayed over the Venezuelans' attitude, especially the Colombian hosts, and the Nicaraguans now are threatening to withdraw. On the whole, however, there is growing acceptance of Venezuela's view that without a US presence, chances will be improved for developing a moderate position that might serve as a basis for a compromise with the South American countries now claiming a 200-mile sea. Once achieved, a Latin American position could then serve as a basis of international agreement at the 1973 Geneva conference. Although Calvani's attitude stems in part from ambition to extend his own leadership on the issue without competition from a US delegation, the substance of his argument seems appealing to the other Latins.

Venezuela is working for consensus on a "patrimonial sea" concept, retaining a 12-mile territorial sea but holding for the riparian state the rights of conservation, exploration, and exploitation in a 200-mile zone. (CONFIDENTIAL NO FOREIGN DISSEM)

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GHANA: The military government has embarked on a risky course in its efforts to deal with the country's external debts.

After three weeks of study, the junta announced last weekend that it was repudiating some \$95 million in "fraudulent" medium-term debts owed to the British Government. These constitute about one third of the medium-term debts remaining from the spendthrift Nkrumah era. Having justified its take-over by citing the alleged economic failures of the Busia regime, the new military rulers clearly felt compelled to make an early dramatic breakthrough.

The junta has announced that the remaining two thirds will be examined under stringent conditions of acceptability, but it also "rejected" paying further interest on any of Nkrumah's medium-term debts. Those debts found "untainted by corruption" will be repaid, but only under favorable terms, which include a ten-year grace period and a 50-year repayment schedule. The majority of these debts are held by London and other Western creditors. Obligations to the US are relatively minor. The junta has accepted Ghana's long-term obligations, but indicated it will examine the repayment schedules of its short-term debts.

In a related move aimed at helping wage earners and consumers, the junta eliminated a highly unpopular tax on wages and reinstated fringe benefits for civil servants. The junta also revalued the country's currency, canceling about half of the 48-percent devaluation instituted by Busia shortly before his ouster, but reimposed a wide range of import controls.

These measures have already evoked a favorable response in Accra, but they are likely to be only short-term palliatives at best. The debt repudiation does little to alleviate the pressing need for cash to meet short-term obligations. It is certain

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to exacerbate relations with London and other creditors and could severely damage Ghana's creditworthiness. This could offset the short-term benefits of revaluation by making consumer imports scarce and making it more difficult to obtain maintenance equipment for the entire modern sector of the economy. (CONFIDENTIAL, NO FOREIGN DISSEM)

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MOROCCO: The pace of King Hassan's consultation with political groups on reform has quickened, but he has evaded spelling out precisely the measures he intends to take.

Early last week, after nearly a month of inactivity, the King resumed his consultations. During a meeting on 30 January with leaders of the leftwing-conservative coalition, the National Front, the King reportedly showed more readiness than heretofore to accept constitutional reform involving structural political changes, a freely elected parliament, and a government with statutory powers. The King, however, was not ready to conclude an agreement on the specifics that the National Front has sought since the talks began in November. Two days later, the King had an initial meeting with leaders of the country's principal labor organization, who reiterated their support of goals laid down by the National Front.

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As usual, the King is playing his cards close to his chest. He has sounded out a broad spectrum of political opinion and possibly also the views of the military, but he has not spelled out the precise nature of the reforms he intends to propose. [redacted]

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[redacted] he may again, as he did in mid-1970, merely submit a new constitution for a popular referendum on a take it or leave it basis, although this would surely limit the cooperation of the National Front. (SECRET NO FOREIGN DISSEM)

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BANGLADESH: Efforts to pacify the Bihari enclave of Mirpur near Dacca are moving ahead. According to Bangladesh military officers, the army and police have overcome resistance in most of the enclave over the past few days. Bihari casualties are not known, but government losses have been high; army officers report some 760 killed or wounded. The government troops, in general, have been maintaining discipline and showing restraint, and fighting has not reached the intensity of the initial clashes late last month. Well-armed holdouts remain in two areas of Mirpur, however, and the army expects to encounter some resistance as it moves to bring them under control. Army officers claim there are 160 West Pakistani soldiers and policemen among the 3,000 prisoners taken at Mirpur thus far. (CONFIDENTIAL)

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BURUNDI: President Micombero has granted clemency to a number of former officials and army officers found guilty last month of plotting against the government. The death sentences of nine defendants, including the former deputy army commander and former economics minister, were commuted and other sentences of life imprisonment were reduced following appeals from religious and Western diplomatic representatives. The defendants were victims of a campaign by a faction within the government, led by the ministers of justice and foreign affairs, that has been seeking since last summer to strengthen its influence. Over the past several months Micombero has been groping for some way to reassert his own control, and his decision, made over the strong objections of the minister of justice, may lead to sharpened tensions within his government. (SECRET)

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